

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name	License Number	

**Downtown Development Authority of the
Charter Township of Van Buren
Wayne County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2007**

Downtown Development Authority of the Charter Township of Van Buren

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Independent Auditor's Report

To the Board of Directors
Downtown Development Authority
of the Charter Township of Van Buren
Wayne County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2007 and have issued our report thereon dated May 7, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren's basic financial statements. The accompanying financial statements of the Downtown Development Authority that supplements the basic financial statements noted above are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren's basic financial statements. The accompanying financial statements of the Downtown Development Authority are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information presented has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

May 7, 2008

Downtown Development Authority of the Charter Township of Van Buren

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) December 31, 2007

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets (Deficit)
Assets			
Cash and cash equivalents (Note 4)	\$ 6,262,938	\$ -	\$ 6,262,938
Restricted assets (Note 8)	1,268,992	-	1,268,992
Capital assets being depreciated - Net (Note 5)	-	843,346	843,346
Total assets	<u>\$ 7,531,930</u>	843,346	8,375,276
Liabilities			
Accounts payable	\$ 12,948	-	12,948
Accrued and other liabilities	-	89,059	89,059
Deferred revenue (Note 6)	968,193	-	968,193
Noncurrent liabilities (Note 7):			
Due within one year	-	557,638	557,638
Due in more than one year	-	7,186,101	7,186,101
Total liabilities	981,141	7,832,798	8,813,939
Fund Balance/Net Assets (Deficit)			
Invested in capital assets	-	843,346	843,346
Reserved/Restricted for debt service	1,268,992	-	1,268,992
Unreserved/Unrestricted	5,281,797	(7,832,798)	(2,551,001)
Total fund balance/net assets (deficit)	<u>6,550,789</u>	<u>\$ (6,989,452)</u>	<u>\$ (438,663)</u>
Total liabilities and fund balance	<u>\$ 7,531,930</u>		

Downtown Development Authority of the Charter Township of Van Buren

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2007

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Property taxes	\$ 2,159,825	\$ -	\$ 2,159,825
Interest income	320,963	-	320,963
Total revenues	2,480,788	-	2,480,788
Expenditures			
Administrative	161,035	-	161,035
Capital outlay and other	124,002	-	124,002
Depreciation and amortization	-	80,484	80,484
Debt service:			
Debt principal	530,000	(530,000)	-
Debt interest	374,059	(4,456)	369,603
Total expenditures	1,189,096	(453,972)	735,124
Change in Net Assets	1,291,692	453,972	1,745,664
Fund Balance/Net Assets (Deficit) -			
Beginning of year	5,259,097	(7,443,424)	(2,184,327)
Fund Balance/Net Assets (Deficit) -			
End of year	<u>\$ 6,550,789</u>	<u>\$ (6,989,452)</u>	<u>\$ (438,663)</u>

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2007**

Note 1 - Significant Accounting Policies

The Downtown Development Authority (the "Authority") of the Charter Township of Van Buren (the "Township") is organized pursuant to State of Michigan Public Act No. 197 of 1975. The primary purpose of the Authority is to encourage economic activity in the Township. This purpose is accomplished by the Authority collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

The Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2007.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. For the purpose of the government-wide financial statements, the Authority reports a liability for the outstanding 1995 Downtown Development Authority Bonds, which will be repaid through captured property taxes in future periods. A significant portion of the Authority's activities in previous years related to investments in infrastructure that are the property of and are reported as assets in the basic financial statements of the Charter Township of Van Buren, Michigan rather than in the Authority's financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance of the Authority's General Fund differ from the statement of net assets (deficit) and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets (deficit) and statement of activities versus the current focus of the General Fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance.

The statement of net assets (deficit) includes the capital assets and the long-term debt along with the accrued interest expense and deferred costs of financing. The statement of activities includes the reclassification of the capital outlay to capital asset additions, depreciation expense, and the reclassification of the debt principal payments from the expense to offsetting the liability.

Note 3 - Budget Information

The annual budget is prepared by the Authority's board and adopted by the Township board; subsequent amendments are approved by the Authority's board and approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been adopted on a line-item basis and has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budget as adopted by the Authority's board is included in the required supplemental information.

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2007**

Note 4 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority has elected to comply with the Township's investment policy. The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authority listed above.

The Authority's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Township had \$6,262,938 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$ 1,268,993	AI/PI/FI	S&P

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Capital assets being depreciated - Land improvements	\$ 1,290,835	\$ -	\$ -	\$ 1,290,835
Accumulated depreciation - Land improvements	374,367	73,122	-	447,489
Net capital assets	<u>\$ 916,468</u>	<u>\$ (73,122)</u>	<u>\$ -</u>	<u>\$ 843,346</u>

Note 6 - Deferred Revenue

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. As of December 31, 2007, the Authority has recorded a receivable for \$968,193 of property taxes levied for 2008, which will be recognized during the year ending December 31, 2008.

Note 7 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority:							
2005 Revenue Bond:							
Amount of issue - \$4,405,000	3.10%	\$150,000-					
Maturing through 2025	5.00%	\$330,000	\$ 4,260,000	\$ -	\$ (145,000)	\$ 4,115,000	\$ 150,000
2005 Refunding Bond:							
Amount of issue - \$4,440,000	3.50%	\$415,000-					
Maturing through 2015	5.00%	\$660,000	4,080,000	-	(385,000)	3,695,000	415,000
Deferred amount on refunding			(73,623)	-	7,362	(66,261)	(7,362)
Total			<u>\$ 8,266,377</u>	<u>\$ -</u>	<u>\$ (522,638)</u>	<u>\$ 7,743,739</u>	<u>\$ 557,638</u>

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

The annual requirements to service the outstanding debt are as follows:

Years Ending December 31	Principal	Interest	Total
2008	\$ 565,000	\$ 356,234	\$ 921,234
2009	600,000	337,059	937,059
2010	645,000	315,334	960,334
2011	690,000	291,866	981,866
2012	740,000	257,366	997,366
2013-2017	2,295,000	784,331	3,079,331
2018-2022	1,320,000	404,256	1,724,256
2023-2025	955,000	84,176	1,039,176
Total	<u>\$ 7,810,000</u>	<u>\$ 2,830,622</u>	<u>\$ 10,640,622</u>

Defeased Debt - In prior years, the Downtown Development Authority defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the financial statements. At December 31, 2007, \$4,010,000 of bonds outstanding are considered to be defeased.

Future Revenues Pledged for Debt Payment - The Township has pledged a portion of future property tax revenues to repay \$8,845,000 in Downtown Development Authority bonds issued in 2005 to finance various capital improvements. The bonds are payable solely from the incremental property taxes captured by the Authority, and are projected to produce 100 percent of debt service requirements over the life of the bonds. Total principal and interest remaining and the bonds is \$10,640,622, payable through 2025. For the current year, principal and interest paid and total property tax captures were \$904,059 and \$2,159,825, respectively

Note 8 - Restricted Assets

Restricted assets as of December 31, 2007 consist of cash and cash equivalents totaling \$1,268,992. These assets are restricted for the debt service reserve for the 2005 revenue bond debt. Fund balance/net assets have also been reserved/restricted for \$1,268,992.

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2007**

Note 9 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority is covered by insurance purchased by the Township for all claims.

Required Supplemental Information

Downtown Development Authority of the Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule Governmental Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,157,998	\$ 2,132,000	\$ 2,159,825	\$ 27,825
Interest income	100,000	275,000	320,963	45,963
Total revenue	2,257,998	2,407,000	2,480,788	73,788
Expenditures				
Administrative	156,363	250,338	161,035	89,303
Capital outlay and other	35,000	130,365	124,002	6,363
Debt service:				
Debt principal	530,000	530,000	530,000	-
Debt interest	374,059	374,059	374,059	-
Total expenditures	1,095,422	1,284,762	1,189,096	95,666
Excess of Revenue Over Expenditures/ Change in Net Assets	1,162,576	1,122,238	1,291,692	169,454
Fund Balance/Net Assets - Beginning of year	5,363,328	5,259,097	5,259,097	-
Fund Balance/Net Assets - End of year	<u>\$ 6,525,904</u>	<u>\$ 6,381,335</u>	<u>\$ 6,550,789</u>	<u>\$ 169,454</u>